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SECURITY INFORMATION

1 March 1953

PROPOSED SHORT-FORM CONCLUSIONS FOR SE-37

1. Present controls on trade with Communist China have not prevented the build-up of Chinese Communist military strength. Moreover, Communist China's industrial and internal transportation system have continued to expand since 1950.

2. A total embargo on non-Communist trade with Communist China would probably have no significant effect on Chinese Communist capabilities to sustain military operations in Korea or to undertake military operations elsewhere, but would somewhat retard the expansion of Chinese Communist industry. An embargo would probably not induce the Communists to embark on new aggression, but would probably lead them to intensify political warfare.

3. A naval blockade of Communist China* would probably not in itself compel or induce the Communists to make peace in Korea, but would make more difficult military operations requiring large expenditures of materiel, either in Korea or elsewhere. A blockade would retard the expansion of Chinese Communist industry to a

* A naval blockade of Communist China would not cut off seaborne trade unless it included Port Arthur and Dairen and unless trade with mainland China through Hong Kong and Macau were prevented.

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greater extent than an embargo and would make Communist China economically more dependent on the USSR. The net political effect within Communist China would probably not be significant.

4. In reaction to a naval blockade, the Chinese Communists would almost certainly attack the blockading forces with covert ^{Soviet} assistance. The USSR would probably test the blockade, possibly with the armed escort of merchant ships, but would be unlikely to regard incidents thus created as *casi belli*. The Chinese Communists might launch new acts of aggression, such as the seizure of Hong Kong and Macau.

5. Interdiction of key Chinese Communist transportation lines, in conjunction with a naval blockade, would sharply reduce Chinese Communist military capabilities, but would probably not in itself compel or induce the Communists to make peace in Korea. Communist China's economic potential would be seriously affected, and the problems of the regime in maintaining political control would be increased. *It is only that the pol & econ stab of the reg would be destroyed.*

6. In reaction to a blockade and interdiction, the Chinese Communists would attack the blockading forces and make a maximum air defense effort, [with Soviet participation] in China and Manchuria.

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They would probably also employ their air capability against
US/UN bases in the Far East. If the blockade and interdiction
increase in aid to CC
should threaten the stability of Communist China, the USSR would
probably take energetic counteraction, possibly even to the
point of committing Soviet forces against US forces over US/UN
held territory and adjacent waters.

7. A Chinese Nationalist blockade and interdiction effort,
under present circumstances, would have negligible effects.
[Sentence on Chinese Nationalist potential] In reaction to a
Chinese Nationalist blockade and interdiction, the Chinese Com-
munists would almost certainly attack the blockading and inter-
dicting forces and might retaliate by air against Nationalist-held
territory.